

UNITED STATES BANKRUPTCY COURT

DISTRICT OF VERMONT

IN RE:	)	
	)	
APPLEJACK ART PARTNERS, INC.	)	Case No. 10-10 - cab
	)	Chapter 11 case
	)	
Debtor in Possession.	)	

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**DEBTOR'S CHAPTER 11 AFFIDAVIT**  
**Pursuant to Vermont Local Bankruptcy Rule 1007**

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**NOW COMES** Applejack Art Partners, Inc., Debtor in Possession, and files its Chapter 11 affidavit in accordance with Vermont Local Bankruptcy Rule 1007-1 (c), and states as follows:

1. This case was filed as a Chapter 11 on July 6, 2010, seeking relief under Chapter 11 of the Bankruptcy Code.
2. There is no committee existing prior to the commencement of this case.
3. The Debtor is engaged in the business of fine art publishing and licensing. It has an inventory of posters and prints and also prints on request. It maintains a significant database of fine work from various artists and publishers with the licensing authority to transfer the image onto items as requested. The company made some expansion decisions in the past few years which turned out to be improvident in light of the circumstances surrounding the purchases and the declining state of the economy. It has recently received an offer for the purchase of a substantial part of its assets and operations which the company believes to be in the best interest of its creditors. Without the sale, the company believes it would not be able to continue.
4. The list of shareholders, or other equity holders, is below:  
Jack Appelman – 60%

Leonard Stephens – 25% (disputed/returned)

Aaron Young -- 15%.

5. There is no debtor property in the hands of a receiver, custodian or other party at this time.
6. The pending litigation in which the Debtor is involved is as follows:
  - a. *Leonard Stephens v. Applejack Art Partners, Inc.* Vermont Supreme Court (# 2010-089) appeal from Bennington Superior Court (#269-7-08 Bncv). Appealed judgment \$1.538 million by former (now deceased) employee and shareholder. Stevens' Estate represented by Frank Urso, Reis, Urso, Ewald & Anderson, PLLC, PO Box 890, Rutland, VT 05702 (802)775-2361.
  - b. *Applejack Art Partners, Inc. v. Fine Art of Cruising, LLC.* Pending in Bennington Superior Court for collection of approximately \$400,000 on unpaid invoice (#449-11-09 Bncv). Fine Art of Cruising, LLC represented by Joel Ianuzzi, Cleary, Shahi & Aicher, PC, PO Box 6740, Rutland, VT 05702. (802)775-8800.
  - c. *Applejack Art Partners, Inc. v. Daphne Brissonet, Lisa Audit, Pela Concept and Wild Apple Graphics.* Pending in Bennington Superior Court, alleging similar artwork utilized by former artists in violation of contract. (#135-4-10 Bncv). Defendants represented by Peter Kunin, Downs, Rachlin, PO Box 190, Burlington, VT 05402 and Charles-André Sauvé of Feldman Rolland. 1170 Place du Frère-André, 2 Etage, Montreal, QC H3B 3C6.
  - d. *Home Interiors & Gifts, Inc., Dennis Faulkner, Bankruptcy Trustee v. Applejack Art Partners, Inc.* Trustee seeking \$145,000 for promissory note and contract amounts for bankrupt company. Default pending. Clay M Taylor at Kelly, Hart & Hallman, LLP, 201 Main Street 2500, Ft Worth, TX 76102 represents the Estate.
  - e. *Ross Galleries v. AJ Ross Auctions, LLC et al.* Pending in Supreme Court of State of New York, NY, Index 600381-09 for collection. Judgment of \$1.579 mil issued March, 2010. Ross Galleries represented by Noah Klarish, Hutner Klarish, 1359 Broadway, Suite 2001, New York, NY 10018.
  - f. *Kellington Arts, LLC v. Applejack Art Partners, Inc.* (# 217-6-10 Bncv). Collection for \$9,453.22. Kellington represented by Christopher Larson, Meub,

Gallivan, Carter & Larson, PC, 65 Grove Street, Rutland, VT 05701.

The underlying claims are reflected in the Debtor's schedules. -- --

7. The Debtor owns the Debtor's production facility and office building at 450 Wallace Road in Manchester, Vermont. It leases a portion of the facility to McGaw Graphics, Inc, RK Miles, Brook Valley Appliances, Decorative Interiors, Senecal Seed, Depot 62, Inc, and Scott Thompson.
8. The Debtor's estimate of payroll amounts due and owing within the 30 days after the commencement of the case is \$20,675.00 as reflected in the attached Exhibit A (90 day budget).
9. The Debtor's expected monthly receipts and disbursements for the next 3 months is attached hereto as Exhibit A and incorporated herein by reference.
10. Proof of insurance is attached as Exhibit B.

DATED at Manchester, VT this 6<sup>th</sup> day of July, 2010.

APPLEJACK ART PARTNERS, INC.

By:

Jack Appelman, President

NOTARY:

**Applejack Art Partners, Inc.**  
**Projected Cash Flow July 2 - September 30, 2010**

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>
Beginning Cash	-	5,485	4,370
Cash Receipts	315,000	320,000	330,000
<b>Total Cash In</b>	<u>315,000</u>	<u>325,485</u>	<u>334,370</u>
 Cost of Goods Sold	 113,000	 120,000	 125,000
Direct Labor	34,000	34,500	35,000
Freight Expenses	5,300	5,800	6,200
<b>Total Cost of Goods</b>	<u>152,300</u>	<u>160,300</u>	<u>166,200</u>
 Selling Expenses			
Sales - Wages	24,600	24,600	24,600
Postage	800	1,000	1,000
Telephone	2,875	2,875	2,875
Artist Royalties	29,000	30,000	28,000
<b>Total</b>	<u>57,275</u>	<u>58,475</u>	<u>56,475</u>
 Operating Expenses			
Repair and Maintenance	800	800	800
Art Department	5,500	5,500	5,500
Supplies	3,100	3,300	3,700
<b>Total</b>	<u>9,400</u>	<u>9,600</u>	<u>10,000</u>
 Administrative Expenses			
Administrative Salaries	5,500	5,500	5,500
Insurances	3,000	3,000	3,000
Employee benefits including health insurance	15,600	15,600	15,600
Bank Payments			
Berkshire Interest	7,430	7,430	7,430
Berkshire Principal	20,000	20,000	20,000
Wells Fargo (Wachovia)*	7,000	7,000	7,000
VEDA	2,210	2,210	2,210
401K Fees	1,500	1,500	1,500
Leases	6,700	6,700	6,700
Taxes	6,000	8,000	8,000
Credit Card Charges	4,500	4,500	4,500
Bank Charges	1,200	1,200	1,200
Payroll Taxes	7,500	7,500	7,500
Automotive Expenses	1,400	1,400	1,400
Bankruptcy Trustee	-	-	4,875
Misc.	1,000	1,200	1,500
<b>Total</b>	<u>90,540</u>	<u>92,740</u>	<u>97,915</u>
 Total Cash Out	 309,515	 321,115	 330,590
 Ending Cash	 <u>5,485</u>	 <u>4,370</u>	 <u>3,780</u>

\* not including the SWAP interest for Wells Fargo, which runs \$8,000/month

DATE (MM/DD/YY)  
07/02/10

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**ACORD****EVIDENCE OF PROPERTY INSURANCE**

OP ID #

DATE (MM/DD/YY)

07/02/10

THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

<b>PRODUCER</b> Wills Insurance 116 South Street Bennington VT 05201 David J. Newell		<b>PHONE/FAX</b> (A/C, No, Ext) 802-442-5414 /802-442-1131		<b>COMPANY</b> Cincinnati Insurance Company PO Box 145496 Cincinnati OH 45250-5496	
<b>CODE: 44008</b>		<b>SUB CODE:</b>			
<b>AGENCY</b> <b>CUSTOMER ID #:</b> APPLJ-9					
<b>INSURED</b>  Applejack Art Partners, Inc. PO Box 1527 Manchester Center VT 05255					
<b>LOAN NUMBER</b>			<b>POLICY NUMBER</b> CPP0836989		
<b>EFFECTIVE DATE</b> 03/24/10			<b>EXPIRATION DATE</b> 03/24/11		<input type="checkbox"/> <b>CONTINUED UNTIL TERMINATED IF CHECKED</b>
<b>THIS REPLACES PRIOR EVIDENCE DATED:</b>					

<b>PROPERTY INFORMATION</b> <b>LOCATION/DESCRIPTION</b> 001  450 Wallace Road Manchester Center VT 05255	<b>See attached Statement of Values</b>
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<b>COVERAGE INFORMATION</b>	
<b>COVERAGE/PERILS/FORMS</b>	<b>AMOUNT OF INSURANCE</b>
Blanket Building/Special Form	\$5,500,000
Blanket Business personal property	\$1,500,000
	5000
	5000

**REMARKS (including Special Conditions)**

<b>CANCELLATION</b> THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW <u>10</u> DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.
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<b>ADDITIONAL INTEREST</b> <b>NAME AND ADDRESS</b>  Vermont Economic Development Authority 58 East State Street Montpelier VT 05602	<input checked="" type="checkbox"/> <b>MORTGAGEE</b> <input type="checkbox"/> <b>LOSS PAYEE</b> <b>LOAN #</b>  <b>AUTHORIZED REPRESENTATIVE</b> David J. Newell <i>David J. Newell</i>	<input type="checkbox"/> <b>ADDITIONAL INSURED</b>
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